



# MINUTES

## GOVERNMENT OPERATIONS AND AUDIT COMMITTEE

**Third Meeting  
2013 Interim  
August 21, 2013**

**Room 413  
State Capitol  
Pierre, South Dakota**

The third meeting of the 2013 Interim Government Operations and Audit Committee was called to order by Chair Dryden at 9:00 a.m., August 21, 2013, in LRC Room 413, State Capitol Building, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Corey Brown, Phyllis Heineman, Larry Lucas, and Larry Tidemann; Representatives Justin Cronin, Dan Dryden, Melissa Magstadt, Mark Mickelson, and Susan Wismer. Senator Jean Hunhoff was excused.

Staff members present were Mr. Martin Guindon, Auditor General, Mr. Bob Christianson and Mr. Tim Flannery, State Government Audit Managers for the Department of Legislative Audit (DLA).

### **Approval of Minutes**

*Senator Heineman moved, seconded by Senator Tidemann, the minutes of the June 11, 2013 meeting be approved. Motion prevailed unanimously on a voice vote.*

### **Item 1 – Governor’s Office to provide update on the State Veteran’s Home in Hot Springs**

Eric Matt from the Governor’s Office and Kristi Honeywell from the Bureau of Administration, Office of State Engineer, were present to address the Committee on the current status of the veteran’s home. Mr. Matt discussed that the project was coming in under budget. Estimated project costs have been reduced by condensing the building’s square footage, by going from one level to two levels, by straightening out the exterior, and by the Department of Transportation’s offer to help transport the debris from the construction site. The laundry and kitchen facilities and the electrical work are all being reviewed for additional ways to cut costs. There has also been discussion of using a biomass boiler plant, as it uses wood chips instead of propane, which would save money in the long run. An initial estimate from Scull Construction is expected the week of August 26-30, 2013, and the goal for groundbreaking is set for late September 2013. Mr. Matt provided the following answers to Committee questions:

- Going to two levels will not create a problem in the case of an emergency as the main floor will be the skilled nursing level and the second floor will be the residential-style living.
- We do not foresee a need for more funding in the future.
- The quality of the facility is still very good and the changes being made will not affect that in any way.
- Working with the construction manager upfront, before beginning construction, has helped in the planning and budgeting process.

- The number of people that will be served has not been reduced.
- The Veterans Administration has seen the plans along the way but will eventually have to give the final approval.
- The changes made in January 2013, that required us to raise the budget at that time, were due to the Veterans Administration's required care provisions. The provisions called for 13 people per wing as opposed to 17 per wing in our original plan. This meant that the original plans would have to be modified to create more wings.
- We are confident that the Veterans Administration will approve the final project.
- The ability to cut the 20% from the budget is due to the various project modifications we have been able to find.
- The estimated completion date of the project is November 2015.

Ms. Honeywell provided the following answers to Committee questions:

- The Construction Manager at Risk, traditional Design with an Architect, and the Design Build Process are the options we have to choose from when constructing a new building.
- The traditional Design with an Architect is our most used process, but for this project the Construction Manager at Risk option was the best and most effective option.
- The different methods of planning new construction are all available for use in statute; it is just a matter of making sure funding is secure in order to use certain methods.
- The decision of which method to use is discussed from the very beginning by everyone involved on the project.

Senator Tidemann testified that the reduced square footage saves money as there will be less ground breaking work required. In addition, using the portable lifts will mean not having to have space in each room for separate lifts and there will be one fenced in area for the veterans to share as opposed to two. Senator Tidemann thanked the team for its efforts.

**Item 2 – Bureau of Information and Telecommunications to provide information on the resources required for the implementation of the new Medicaid Management Information System**

Mr. David Zolnowsky and Mr. Jim Edman, both from the Bureau of Information and Telecommunications, were present to address the Committee with an update on the Medicaid Management Information System (MMIS). Mr. Zolnowsky handed out a document detailing some of the differences in the MMIS program versus the program currently being used. Mr. Edman informed the Committee that there was not a lot of additional information about the project at this time. The complexity is not totally understood yet and the training and staffing is yet to be determined. There will be an increase in the number of programs used which will cause a significant amount of changes. Mr. Edman provided the following answers to Committee questions:

- The key differences with the new MMIS will be the ability to submit electronically, better interaction with providers, and better process from start to finish for the filing of claims.
- Oracle is a secure product and protection will be very high and in place before the new program goes live.
- The information gathered with this program will not be sold or shared at all.
- There will be no medical records involved in the new program.
- The goal with the new MMIS is to make interfacing between entities better, not more difficult.

- BIT has been involved with the MMIS process from the very beginning.
- There are currently 10 ½ FTE's that work with this project.
- The first project manager was Roger Leonard.
- The original contract amount was \$62 million and \$50 million has been spent on the contract.
- The new MMIS will be strictly for claims processing.
- BIT will take over the MMIS 12 months after the program goes live no matter what.
- Negotiations of getting the program live started last October and the terms are still being negotiated.
- The departments that are involved have been meeting every other month in order to get a restart date determined.
- Interfacing has been the main focus for BIT for the last week.
- If Medicaid expands, the current program can handle a larger quantity of data, if needed.
- CNSI has had success in Michigan and Washington.
- Other states have used a subsidiary of Xerox which rewrites their program and then the state takes over, which is what we are requesting with CNSI.
- Legacy systems are what most states have, which means their programs have not been rewritten in many years. They are in the same situation we are in.

Secretary Malsam-Rysdon testified that the Medicaid eligibility system is completely separate than the MMIS system. The information regarding those who are eligible is fed into the MMIS program and used to process claims. The new MMIS program will make it much easier to find out who is eligible and what is covered. CNSI offers many different serves; however, the Department is only using their claims processing services. The Department is uncertain about the cost to finish the project at this time. The final costs will need to be approved by the Centers for Medicare and Medicaid Services.

### **Item 3 – Department of Revenue to provide the Committee with an update from the Bank Franchise Tax taskforce**

Mr. David Wiest from the Department of Revenue was present to address the Committee with an update on the Bank Franchise Tax taskforce. Mr. Wiest said a study group had been formed after the last legislative session and the group then created goals. They want to do a red tape review of the bank franchise tax code. There are plans to hold another meeting this fall. The goal is to bring to the 2014 legislature the right tax statutes. Mr. Wiest testified that the taskforce will look at how the income of multistate banks is proportioned to South Dakota.

### **Item 4 – Department of Labor and Regulation to provide the Committee an update on the health insurance companies certified in South Dakota under the Affordable Care Act**

Mr. Merle Scheiber and Ms. Melissa Klemann, both from the Department of Labor and Regulation, were present to give an update on the Affordable Care Act and the South Dakota health insurance companies that are going to be certified. Ms. Klemann informed the Committee that applications were due June 15, 2013 and on July 19, 2013 the following companies were certified: Avera Health, Sanford Health, DakotaCare (certified as individual carriers), Best Life & Health, Delta Dental, Dentegra and Guardian Life (certified as dental carriers). Any changes that the companies want to make must be requested by August 23, 2013. Open enrollment begins October 1, 2013. Ms. Klemann provided the following answers to Committee questions:

- All insurance carriers that applied to the exchange were approved.
- Blue Cross Blue Shield is not going to operate on the exchange.
- Any carrier who wants to be a part of the exchange will have to wait until next summer to apply for the 2015 exchange, the 2014 exchange is closed.
- Rates have been approved and are on the carriers' websites for viewing.
- A small group plan is designed for a business with less than 50 employees.

Mr. Scheiber testified that the premiums and plans for the upcoming year are much different from 2013 so be cautious when comparing rates as there have been many changes.

**Item 5 – Juvenile Corrections Monitor Semi-Annual Report for the period January 1, 2013 through June 30, 2013**

Ms. Laurie Gill, Secretary for the Department of Human Services, was present to address the Committee about the semi-annual report. Ms. Kathleen Colson, Juvenile Corrections Monitor (JCM), was present to give the semi-annual report. Ms. Colson handed out a copy of the report and then briefly went over certain parts in more detail. She also discussed the two full investigations that were performed and the three inquiries that were done.

**Item 6 – Depart of Corrections report on Abuse and Neglect in Private Placement Facilities for the period January 1, 2013 through June 30, 2013**

Mr. Doug Herrmann, Department of Corrections, presented the Committee the confidential report on abuse and neglect in private placement facilities and answered Committee questions.

Mr. Pat Pardy, lawyer for the Department of Corrections, provided a handout of the separate statutes regarding abuse of minors. He discussed why the wording of the statutes needs to be clarified. Mr. Herrmann testified that the main discrepancy between the statutes is simply that the language of both statutes needs to be more clearly defined. The applicable state agencies are looking for options to better protect the employees and they hope to bring these options to the legislature in 2014. Mr. Pardy testified that the statute for the JCF was brought about because of the Gina Score incident in 2000. Senator Brown stated that he would like to see the correct departments get together and prepare to bring these concerns to legislation. Senator Lucas stated that we need to make sure there is a balance between an employee's record being tarnished versus the State of South Dakota being sued for negligence. The Committee requested this be revisited in the future.

**Item 7 – GOAC Blue Book**

Mr. Robert Christianson was present to give a brief overview of what kinds of reports are included in the GOAC Blue Book. Mr. Christianson testified to questions regarding information on the reports included in the book and also discussed with the Committee other reports they would like to see in the future.

**Item 8 – Department of Education to discuss activities/programs planned for the use of funds received from the Workforce Education Fund**

Ms. Melody Schopp, Secretary with the Department of Education, was present to address the Committee regarding the Workforce Education Funds. Ms. Schopp provided a handout regarding Senate Bill 235 and briefly talked about what was included in the handout. The Department of Education plans to present the rules for the distribution of funds starting in the

spring of 2014 with the actual distributions occurring in 2015. They have been getting input from across the state on where the funds will be best used such as expanding the current Career and Technical Education (CTE) programs by hiring more instructors, upgrading the equipment, and adding more programs. There will most likely be a request for funds in the future for expanding dual credit opportunities. Funds were requested last year for the advance placement opportunities and we are looking to do that same thing this year. The Department of Education will be looking at requesting additional funding for CTE programs statewide in the future. Ms. Schopp also answered questions regarding how the Department of Education determines who gets funding and where the highest needs are in the state. The Department of Education will also be looking into having school districts pay tuition for CTE programs in the future.

**Item 9 – South Dakota Housing Development Authority to discuss activities/programs planned for the use of funds received from the South Dakota Housing Opportunity Fund**

Mr. Mark Lauseng, Executive Director of South Dakota Housing Development Authority (SDHDA), was present to address the Committee regarding the South Dakota Housing Opportunity Fund. Mr. Lauseng presented a handout and discussed the funds and how they can be used. The deadline for applications is October 1, 2013 and the allocation for the first round will be awarded in November 2013. There is a training session set up for the week of August 26-30, 2013. Mr. Lauseng testified that the funds can be used for the purchase of a Governor's home but there are certain requirements that must be met. Senator Brown requested that, after the first round of applicants is completed, SDHDA provide a breakdown of the demand of the funds versus the ability for the funds to be provided.

**Item 10 – Department of Game, Fish and Parks to discuss hunting license procedures for Big Horn Sheep**

Mr. Chris Petersen, Game, Fish and Parks Division Director for Administration, was present to address the Committee regarding the Big Horn Sheep license draw. There was a mishap in the emailing process. Mr. Petersen provided a handout that showed the previous way drawings were held versus the way it will be done from now on. He discussed what happened the day of the drawing, what went wrong, and how the mistake was corrected. The new email process has been used successfully since June of this year. Mr. Petersen answered Committee questions regarding the pricing of a Big Horn Sheep license and how the process of applying for a license is separate from the drawings of the licenses.

Mr. Petersen was also asked to give an update on the Meandering Water issue. He testified there is a group of individuals with an ongoing discussion that has to do with this issue but he does not have an update with any more detail than that. The Committee has requested the Department of Game, Fish and Parks bring an update to the next meeting.

**Item 11 – Follow-up from Teach for America**

Mr. Jim Curran with Teach for America was present to provide follow-up information to the Committee. Mr. Curran explained that funds are raised from contributions from individuals, foundations, corporations and the state. He emphasized the importance of the state matching funds in demonstrating to other contributors that the state supports this program.

### **Future Items for Discussion**

- GOAC Blue Book
- 911 Coordinator Report
- Game, Fish and Parks Meandering Water Update
- High School Athletics Association
- Performance indicators and budget drivers
- MMIS – only if they have an update to provide
- Board of Regents – Other Funds – Overview
- State Employee Health Plan Funds

### **Future Meeting Dates**

The next meeting will be held September 24, 2013 at 9:00 a.m.  
*Discussed and approved as a Committee.*

The Committee adjourned the meeting at 2:35 p.m.



All Legislative Research Council committee minutes and agendas are available at the South Dakota Legislature's homepage: <http://legis.state.sd.us>. Subscribe to receive electronic notification of meeting schedules and the availability of agendas and minutes at **My LRC** (<http://legis.state.sd.us/mylrc/index.cfm>).